



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
PULASKI COUNTY  
SHERIFF'S SETTLEMENT - 1997 TAXES  
AND  
SHERIFF'S SETTLEMENT - 1997 UNMINED COAL TAXES**

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AUDITOR OF PUBLIC ACCOUNTS  
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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Sarah Jane Schaaf, Secretary, Revenue Cabinet  
Honorable Darrell Beshears, County Judge/Executive  
Honorable Sam Catron, Pulaski County Sheriff  
Members of the Pulaski County Fiscal Court

Independent Auditor's Report

We have audited the Pulaski County Sheriff's Settlement - 1997 Taxes as of August 11, 1998, and Sheriff's Settlement - 1997 Unmined Coal Taxes as of August 11, 1998. These tax settlements are the responsibility of the Pulaski County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Pulaski County Sheriff's taxes charged, credited, and paid as of August 11, 1998, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Sarah Jane Schaaf, Secretary, Revenue Cabinet  
Honorable Darrell Beshears, County Judge/Executive  
Honorable Sam Catron, Pulaski County Sheriff  
Members of the Pulaski County Fiscal Court

Based on the results of our audit, we have presented a schedule of Comments and Recommendations, included herein, which discusses the following area of noncompliance:

- The Sheriff Should Have A Written Agreement To Protect Deposits

In accordance with Government Auditing Standards, we have also issued a report dated May 7, 1999, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
May 7, 1999

PULASKI COUNTY  
SAM CATRON, SHERIFF  
SHERIFF'S SETTLEMENT - 1997 TAXES

As of August 11, 1998

Charges	County Taxes	Special Taxing Districts	School Taxes	State Taxes
Real Estate	\$ 798,542	\$ 757,284	\$ 4,198,517	\$ 2,089,518
Tangible Personal Property	100,067	82,578	271,919	441,112
Intangible Personal Property				339,736
Bank Shares	111,997			
Fire Protection	964			
Franchise Corporation	108,189	90,090	449,795	
Bank Deposit Franchise				
1997 Limestone Reserves	781	732	4,942	2,058
Increased Through Erroneous Assessments	9,222	8,655	60,138	23,531
Penalties	7,232	6,720	35,954	22,318
Adjusted to Sheriff's Receipt (See Note 5)	3,070	2,981	(452)	8,147
Gross Chargeable to Sheriff	<u>\$ 1,140,064</u>	<u>\$ 949,040</u>	<u>\$ 5,020,813</u>	<u>\$ 2,926,420</u>
<u>Credits</u>				
Discounts	\$ 13,400	\$ 11,189	\$ 60,728	\$ 39,734
Exonerations	7,278	6,809	40,161	20,024
Delinquents:				
Real Estate	17,178	16,273	95,999	44,900
Tangible Personal Property	1,070	886	4,653	2,533
Intangible Personal Property				993
Uncollected Franchise	5,350	4,328	20,027	
1997 Limestone Exonerations	72	66	412	192
Total Credits	<u>\$ 44,348</u>	<u>\$ 39,551</u>	<u>\$ 221,980</u>	<u>\$ 108,376</u>
Net Tax Yield	\$ 1,095,716	\$ 909,489	\$ 4,798,833	\$ 2,818,044
Less: Commissions (a)	<u>46,855</u>	<u>38,653</u>	<u>131,968</u>	<u>120,054</u>
Net Taxes Due	<u>\$ 1,048,861</u>	<u>\$ 870,836</u>	<u>\$ 4,666,865</u>	<u>\$ 2,697,990</u>
Taxes Paid	\$ 1,047,580	\$ 870,132	\$ 4,662,880	\$ 2,696,052
Refunds (Current and Prior Year)	1,556	674	3,798	1,858
State Penalty				8
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	<u><u>\$ (275)</u></u>	<u><u>(b) 30</u></u>	<u><u>(c) 187</u></u>	<u><u>\$ 88</u></u>

(a), (b), and (c) See Page 4

PULASKI COUNTY  
 SAM CATRON, SHERIFF  
 SHERIFF'S SETTLEMENT - 1997 TAXES  
 As of August 11, 1998  
 (Continued)

(a) Commissions:

10% on	\$	10,000
4.25% on	\$	4,813,249
2.75% on	\$	4,798,833

(b) Special Taxing Districts:

Library District	\$	14
Health District		11
Extension District		5
		<hr/>

Due Districts	\$	30
		<hr/> <hr/>

(c) School Districts

Common School District	\$	173
Science Hill District		14
		<hr/>

Due School Districts	\$	187
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The accompanying notes are an integral part of the financial statements.



PULASKI COUNTY  
SAM CATRON, SHERIFF  
SHERIFF'S SETTLEMENT - 1997 UNMINED COAL TAXES

As of August 11, 1998

	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for				
Unmined Coal	\$ 1	\$ 1	\$ 6	\$ 2
Less: Taxes Paid	<u>1</u>	<u>1</u>	<u>6</u>	<u>2</u>
 Due Districts as of Completion of Fieldwork	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

August 11, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The depository institution has made such a pledge, and the depository institution's board of directors or loan committee approved the pledge. However, the depository institution did not have a written agreement with the Sheriff.

PULASKI COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 August 11, 1998  
 (Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 7, 1997.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 6,038,439
FDIC Insurance	<u>200,000</u>
Total	<u><u>\$ 6,238,439</u></u>

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1997. Property taxes were billed to finance governmental services for the year ended June 30, 1997. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 30, 1997 through August 11, 1998.

1997 Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1997. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 24, 1997 through August 11, 1998.

Note 4. Interest Income

The Pulaski County Sheriff earned \$12,194 as interest income on 1997 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Adjustment To Sheriff's Official Receipt

There is an adjustment of \$13,745 from the PVA's Certification Sheet of property taxes to the Sheriff's Official Receipt of property taxes that he received. The adjustment is due to the PVA's original assessment of property taxes changing after the Certification Sheet was prepared but before the tax bills were delivered to the Sheriff. The Pulaski County Board of Assessment Appeals met after the PVA's Certification Sheet of Property taxes was submitted to the Revenue Cabinet. The board voted to change some of the assessments on property and this created a difference between the PVA's Certification Sheet and the Sheriff's Official Receipt. The board's changes were made prior to the tax bills being printed and delivered to the Sheriff. The Sheriff's Official Receipt of tax bills includes the tax bills that the Sheriff actually received.

PULASKI COUNTY  
SAM CATRON, SHERIFF  
COMMENTS AND RECOMMENDATIONS

As of August 11, 1998

STATE LAWS AND REGULATIONS:

The Sheriff Should Have A Written Agreement To Protect Deposits

The Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The Sheriff had a bank balance of \$6,238,439; FDIC insurance of \$200,000; and securities pledged of \$7,585,025 as of November 7, 1997. Even though the Sheriff obtained pledged securities of \$7,585,025, the pledge was not evidenced by a written agreement. We recommend the Sheriff enter into a written agreement with the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

*Management's Response:*

*Sheriff stated that he was not notified by the State Auditor's Office that they had added a new administrative rule that required a written pledge of securities from the financial institutions that the Sheriff's Office does business with. The Sheriff stated that he obtained a written pledge of securities agreement with the financial institutions after auditors brought it to his attention.*

PRIOR YEAR:

- The Sheriff Should Have A Written Agreement To Protect Deposits

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable Darrell Beshears, County Judge/Executive  
Honorable Sam Catron, Pulaski County Sheriff  
Members of the Pulaski County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Pulaski County Sheriff's Settlement - 1997 Taxes as of August 11, 1998, and Sheriff's Settlement - 1997 Unmined Coal Taxes as of August 11, 1998. We have issued our report thereon dated May 7, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of Comments and Recommendations.

- The Sheriff Should Have A Written Agreement To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pulaski County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Darrell Beshears, County Judge/Executive  
Honorable Sam Catron, Pulaski County Sheriff  
Members of the Pulaski County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial Statement  
Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
May 7, 1999



